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SUBJECT: BOSNIA'S STATE COURT CONVICTS MAJOR PIFWC
FINANCIER MOMCILO MANDIC - SENTENCE COULD BE APPEALED

[1](#)1. (SBU) SUMMARY: On October 27, the State Court of Bosnia and Herzegovina sentenced suspected PIFWC Karadzic financier Momcilo Mandic and former Serb Republic official Milorad Govedarica to prison for abuse of office and banking fraud. The men were acquitted of more serious war crimes-related charges. Nevertheless, these convictions significantly disrupt Karadzic's financial support network, and provide a welcome boost to the public's confidence in the State Prosecutors' Office. The prosecution was led by an American secondee prosecutor and secondee investigator, assisted by Resident Legal Advisors. Their involvement highlights the benefit of the DOJ/OPDAT program in advancing U.S. rule of law goals in Bosnia, including strengthening the State Court as a national institution, punishing official corruption, and reducing financial assistance to war criminals. The Prosecutor's Office expects to appeal the acquittal of two additional co-defendants. Mandic separately faces additional war crimes charges. END SUMMARY.

MANDIC CASE BACKGROUND

[1](#)2. (U) On October 27, a Bosnian three-judge State Court sentenced Momcilo Mandic to nine years in prison for abusing his office and forging bank documents. Mandic, former Serb Republic Minister of Justice and Director of Privredna Banka Srpsko Sarajevo, was found guilty of violating RS banking laws by illegally transferring depositors' funds to political party accounts, thus bankrupting Privredna Banka. The sentence, while low by U.S. standards, is substantial in Bosnia for this category of crime.

[1](#)3. (U) The conviction owes much to a skillful prosecution, led by an American secondee prosecutor, assisted by an American secondee court investigator and DOJ/OPDAT advisors. Co-defendant Milorad Govedarica was also found guilty and sentenced to four years. The other two accused, Mirko Sarovic, former BiH tri-presidency member and high-ranking SDS official, and business associate Milovan Bjelica, were acquitted. In addition to serving prison sentences, Mandic and Govedarica were ordered to pay damages to the Bank totaling over KM 4.5 million (approximately USD 3 million) within two weeks. The Bosnian State Prosecutor's Office intends to appeal the acquittals.

[1](#)4. (U) Although the four men have long been suspected of providing financial assistance to International Criminal Tribunal for the Former Yugoslavia (ICTY) indictee Radovan

Karadzic, they were acquitted of war crimes related charges on procedural grounds. The Criminal Procedure Code of Bosnia and Herzegovina requires that when choosing between the application of current or past criminal laws, the State Court must choose the more lenient of the two. In this case, the Court ruled that it could not find them guilty of the more serious charge of aiding and abetting a fugitive person indicted for war crimes (PIFWC), because no relevant law existed in the RS during the time-frame being considered.

¶5. (U) In a separate case now getting underway, Mandic faces war crimes charges stemming from his actions as the Justice Minister in the self-styled Serb Republic during the war. He stands accused of ordering an attack by Bosnian Serb forces on the Sarajevo police training center in 1992, as well as being responsible for the persecution and torture of non-Serbs in detention camps around Sarajevo and the town of Foca from May-December 1992. Mandic fled to Belgrade towards the end of the war and became a wealthy businessman. He was arrested last year in Montenegro and transferred to Bosnia.

VERDICT GETS THE JOB DONE

¶65. (SBU) COMMENT: We anticipate the Mandic and Govedarica convictions will deal a major blow to the Karadzic support network in Bosnia. While less dramatic than being found guilty of aiding and abetting Karadzic, convictions for banking fraud and abuse of office get the job done, depriving the ICTY indictee of a potential source of significant financial support. Although the decision could be overturned on appeal, it nevertheless provides a welcome boost to the credibility of the Bosnian State Prosecutor's Office, which has come under strong public criticism lately for its

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perceived inability to secure war crimes and financial crimes convictions. The verdict highlights the impact of the DOJ/OPDAT program and American secondees in strengthening the State Court as a national institution, and advancing rule of law goals in Bosnia.
MCELHANEY